



City of Morgan Hill

File #: 15-191, Agenda Date: 5/6/2015, Version: 1

CITY COUNCIL STAFF REPORT MEETING DATE: MAY 6, 2015

PREPARED BY: Edith Ramirez, Economic Development Manager/Community Development
APPROVED BY: City Manager

HOTEL MARKET STUDY

Adopt resolution authorizing and directing the City Manager to negotiate and execute a contract with Hotel Appraisers & Advisors and with HTL Hospitality Advisors to perform a Hotel Market and Transient Occupancy Tax (TOT) Analysis not to exceed a collective amount of \$55,000 for both consultants.

COUNCIL PRIORITIES, GOALS & STRATEGIES:

Ongoing Priorities

Enhancing public safety
Maintaining fiscal responsibility
Preserving and cultivating public trust

2015 Focus Areas

Stimulate Economic Development
General Plan Update
Advance Downtown Revitalization
Community Engagement Effectiveness

REPORT NARRATIVE:

Given the apparent new hotel demand in Morgan Hill, and in order to address concerns from local hoteliers, it is recommended that Hotel Market and Transient Occupancy (TOT) analyses be performed. Staff has surveyed other municipalities and talked to several hotel consulting firms. Based on market familiarity, prices and expertise, staff recommends utilizing the services of Hotel Appraisers & Advisors (HA&A) to perform a three-prong analysis that would include: 1) a Hotel Market Supply and Demand Analyses; 2) a TOT Analysis, and; 3) a Boutique Hotel and Full Service Hotel Market Study, including a 10-year financial analysis.

HA&A is currently working on six engagements in California, including the San Jose market. The company is managed by Hans Detlefsen who has nearly two decades of professional experience, leading some of the largest hospitality assignments in the country, including a portfolio of market

studies for the U.S. Army's privatization of lodging facilities and the appraisal of all Hilton-owned properties in 2007. Prior to Mr. Detlefsen's work with HA&A, he was a Managing Director at HVS, one of the largest hotel consulting companies.

The scope of work would address all of the concerns raised by the Hotel Consortium, including the current capacity for hotel development in our market and its impact on current and future TOT revenue. Given the sensitivity and importance of this study, staff recommends an independent peer review of the Hotel Market Supply and Demand Analysis (listed as Phase I, below) by HTL Hospitality Advisors, which specializes in providing hospitality related real estate services. Staff recommends HTL Hospitality Advisors to perform the peer review because this firm is one of two firms recommended by a member of the Hotel Coalition, it specializes on hotel feasibility studies, and is familiar with our hotel market.

The proposed scope of work for the three phases is as follows:

PHASE I - Market Supply & Demand

1. Address market demand for our community-with clear understanding of our community dynamics, market, vision, challenges and opportunities.
2. Address the impact of more hotel rooms to the TOT, analyzing a long-term historical period of supply and demand in Morgan Hill to evaluate whether supply growth historically has been correlated with demand growth. Analyze a long-term STR trend to see whether this is also true in Morgan Hill historically (STR is the leading global provider of competitive benchmarking, information services and research to the hotel industry). Demonstrate this correlation graphically. Order a national STR trend report as a control group to isolate what portion of demand growth is due to national economic growth versus local supply growth.
3. Analyze supply and demand trends for the high-performing competitive set in Morgan Hill. Order a custom trend report from STR to evaluate how just the top 4-8 hotels are performing to see how new developers are looking at this market and whether they see development potential here.
4. Analyze whether "un-accommodated" demand or "pent up" demand exists in the Morgan Hill market, and demonstrate some ways to quantify this or at least discuss whether a significant volume exists in this market.
5. Discuss what "new supply" circumstances can also bring "induced" demand in addition to un-accommodated demand. Induced demand can be thought of as additional demand that comes to a market only because of the event/action that induces it. Some types of new hotel supply can actually create or "induce" additional demand into a market. This won't be enough to fully support a new hotel, but it can at least reduce the competitive impact on existing hoteliers.
6. Assess the local inventory of hotels and categorize Morgan Hill's lodging inventory by Hotel Company, Brand, Chain Scale, and Age. Comment on what's missing, if anything. Discuss general performance parameters required by those brands or chain scales that are currently missing. Compare these general performance parameters with Morgan Hill's top-tier "competitive set" identified in #3 above.

PHASE II - TOT Analysis

7. Rank Morgan Hill's TOT rate vs. 10 comparable or competitive cities.
8. Analyze TOT collections process, including the timing of liabilities and applicable tax rates.
9. Create an historical inventory of lodging supply by month and year over a 10-year historical period.
10. Estimate total occupancy, average daily rate, and rooms' revenue for each month and year over the historical period.
11. Retrospectively apply Morgan Hill TOT rates and collection procedures to these modeled revenue estimates.
12. Compare historical collections with model estimates for TOT liabilities.
13. Discuss any significant discrepancies.
14. Provide description on how to use similar data in future years as a cross-check on collections.

PHASE III - Boutique Hotel and Full Service Hotel Market Study

15. Perform fieldwork to evaluate potential development sites and interview key stakeholders.
16. Perform a Market Area Overview to evaluate key local economic trends and economic indicators.
17. Perform a Supply & Demand Analysis for a specifically proposed hotel type and include projections of both supply and demand.
18. Make Facility Recommendations.
19. Perform projection of Occupancy and Average Daily Rate (ADR), including a penetration and ranking analysis for possible subject properties.
20. Perform 10-Year Financial Projections and include detailed projections of revenue and expense line items.
21. Attend council meeting to present key findings.

COMMUNITY ENGAGEMENT: Consult

Prior Planning Commission and City Council actions have taken place, further discussed later in the report, that have resulted in public hearings as well as many conversations with local hoteliers.

ALTERNATIVE ACTIONS:

The Council may choose to accept staff recommendations or choose any of the following alternative actions:

1. Perform Phase I, II, and III with HA&A but not perform the Peer Review by HTL Hospitality Advisors.
2. Perform Phase I in conjunction with Phase II and/or III and/or Peer Review.
3. Perform Phase I and Peer Review only.
4. Analyze TOT only.
5. Do not perform a Hotel Market and TOT Analysis.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On November 19, 2014, the City Council approved a general plan amendment to change 900 Lightpost, located at the corner of Madrone Parkway and Lightpost Way from Industrial to Commercial. On March 18, 2015, the Council approved the rezoning of the same property to a commercial zoning to be in conformance with the General Plan. On April 1, 2015, the Ordinance was adopted.

Furthermore, on January 21, 2015, the City Council approved an amendment to the Planned Unit Development (PUD) Zoning for part of the "Horizon Land," a vacant parcel located adjacent to Condit Road and approximately 500 feet north of East Dunne Avenue to allow for an increased number of hotel rooms and increased building height at the location.

FISCAL AND RESOURCE IMPACT:

It is estimated that the proposed scope of work for both proposed consultants will cost approximately \$55,000 in the aggregate. It is recommended that the total project cost be fund equally from the General Fund and Long Range Planning Fund. There are sufficient funds in both adopted budgets to accommodate the expense.

CEQA (California Environmental Quality Act):

Not a Project

LINKS/ATTACHMENTS:

Resolution

Contract

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING, AND AUTHORIZING THE CITY MANAGER TO NEGOTIATE, EXECUTE AND ADMINISTER, A CONSULTANT AGREEMENT WITH HOTEL APPRAISERS & ADVISORS FOR A HOTEL MARKET STUDY AND A TRANSIENT OCCUPANCY TAX ANALYSIS AND WITH PKF INTERNATIONAL FOR A PEER REVIEW OF THAT STUDY AND ANALYSIS AND APPROVING AN AMENDMENT TO THE CITY'S FISCAL YEAR 2014-15 ANNUAL BUDGET IN THE _____ FUND (FUND NO. _____) TO APPROPRIATE A TOTAL OF \$55,000 FOR BOTH AGREEMENTS IN THE AGGREGATE

WHEREAS, the City of Morgan Hill, a municipal corporation and general law city duly organized and existing under and pursuant to the Constitution and laws of the State of California ("City"), is authorized to enter into contracts and agreements for the benefit of the City; and

WHEREAS, the reasons supporting the entrance of the City into that certain agreement described in, and that is the subject of, this Resolution are set forth in detail in that certain City Council Staff Report entitled "Adopt a resolution authorizing and directing the City Manager to negotiate and execute a contract with Hotel Appraisers & Advisors and with PKF International to perform a Hotel Market and Transient Occupancy Tax (TOT) Analysis not to exceed a collective amount of \$55,000 for both consultants" submitted by the City Manager for City Council consideration at its meeting of May 6, 2015 (the "Staff Report"), the contents of which Staff Report are incorporated herein by this reference; and

WHEREAS, recommended amendments are needed and proposed to the City's previously adopted Annual Budget for Fiscal Year 2014-15, as set forth on Exhibit A to this Resolution, to appropriate the requisite funds to implement the actions authorized by this Resolution; and

WHEREAS, the activities allowed under this Resolution do not constitute a project under the provisions of California Environmental Quality Act of 1970; and

WHEREAS, the consideration by City Council of the adoption of this Resolution has been duly noticed pursuant to applicable laws and has been placed upon the City Council Meeting Agenda on the date set forth in the Staff Report, or to such date that the City Council may have continued or deferred consideration of this Resolution, and on such date the City Council conducted a duly noticed public meeting at which the City Council provided members of the public an opportunity to comment and be heard and considered any and all testimony and other evidence provided in connection with the adoption of this Resolution; and

WHEREAS, the City Council determines that adoption of this Resolution is in the public interest.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY FIND, DETERMINE, RESOLVE AND ORDER AS FOLLOWS:

Section 1. Recitals. The City Council does hereby find, determine and resolve that all of the foregoing recitals are true and correct.

Section 2. Approval and Authorization. The City Council does further resolve, order and/or direct as follows:

- a. That a consultant agreement (i) with Hotel Appraisers & Advisors for a market study and transient occupancy tax analysis and (ii) with PKF International for a peer review of said hotel market study and transient occupancy tax analysis, both substantially in the form attached hereto as Exhibit B, are hereby approved (collectively, the "Agreements"); and
- b. That the City Manager is hereby delegated authority to and is authorized and directed to negotiate, execute, and subsequently administer including the authority to terminate as necessary or appropriate, the Agreements; provided, specifically, that the total amounts to be paid by City under the Agreements in the aggregate shall in no event exceed Fifty-five Thousand Dollars (\$55,000); and
- c. That the City's previously adopted Fiscal Year 2014-15 Annual Budget, as the same has been amended to date, is hereby further amended in accordance with and as reflected on Exhibit A attached hereto and incorporated herein by this reference; and
- d. That the City Clerk is hereby authorized and directed to forward a copy of this Resolution to the City's Assistant City Manager of Administrative Services, who is hereby authorized and directed to take all actions necessary to implement the terms of this Resolution pertaining to the Fiscal Year 2014-15 Annual Budget of City.]

Section 3. This Resolution shall take effect immediately upon adoption.

PASSED AND ADOPTED by the City Council of the City of Morgan Hill at its meeting held on this ____ day of _____, 201__ by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

COUNCIL MEMBERS:
COUNCIL MEMBERS:
COUNCIL MEMBERS:
COUNCIL MEMBERS:

DATE: _____

Steve Tate, MAYOR

∞ CERTIFICATION ∞

I, **Irma Torrez, City Clerk of the City of Morgan Hill, California**, do hereby certify that the foregoing is a true and correct copy of Resolution No.XXXX , adopted by the City Council at the meeting held on , 201_.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

Irma Torrez, CITY CLERK

**CONSULTANT AGREEMENT
HOTEL APPRAISERS & ADVISORS, LLC**

THIS AGREEMENT is entered into and becomes effective on _____ (Effective Date), by and between the CITY OF MORGAN HILL, a municipal corporation, ("CITY"), and Hotel Appraisers & Advisors LLC a California limited liability company ("CONSULTANT") hereinafter referred to collectively as "Parties." In consideration of the promises and the mutual covenants contained in this Agreement, the Parties agree as follows:

1. **City Authority.** This Agreement is entered into pursuant to authority of the City Manager pursuant to Chapter 3.04 of the Morgan Hill Municipal Code.
2. **Term of Agreement.** This Agreement shall cover services rendered from the Effective Date of this Agreement until December 31, 2015 at which time CONSULTANT'S services shall be completed. The City Manager is authorized to extend the term of this Agreement for a maximum period of one year. Any such extension shall be in writing and signed by both Parties to this Agreement.
3. **Scope of Service.** The services to be performed by CONSULTANT shall be for hotel market analysis and Transient Occupancy Tax (TOT) analysis as further described in **Exhibit A.**
4. **Compensation.** CONSULTANT shall be compensated as follows:
 - 4.1. **Amount.** \$45,000.00. Total compensation under this Agreement shall not exceed forty-five thousand dollars and shall be billed based on the rate and basis set forth in **Exhibit B.**
 - 4.2. **Billing.** CONSULTANT shall provide CITY with a monthly (or other period as mutually agreed by CONSULTANT and CITY) invoice containing the dated, detailed, and itemized descriptions of all services performed and expenses incurred (if such expenses are reimbursable pursuant to Exhibit B) by CONSULTANT. Any rate charged shall be prorated where services are interrupted or not provided for any rate period (for example, any monthly rate charge should be prorated when services were interrupted or provided for only part of the month). For services billed on an hourly rate, the minimum unit of billed time shall not exceed one tenth of one hour. CITY shall pay for services and expenses (if so provided in Exhibit B) up to the limit of compensation set forth above, that in the CITY's judgment were necessary and reasonable. Services for work performed and expenses incurred in excess of the total compensation set forth in paragraph 4.1 above shall be at no cost to CITY.
5. **Termination.** CITY or CONSULTANT shall have the right to terminate this Agreement, without cause, by giving thirty (30) days' written notice or less under urgent circumstances. Upon such termination, CONSULTANT shall submit to CITY an itemized statement of services performed for which compensation has not been paid. CITY may require CONSULTANT to complete certain work product or documents and CONSULTANT shall deliver to CITY all documents in its possession without additional compensation to CONSULTANT. The CITY Manager of CITY is authorized to terminate this AGREEMENT on behalf of CITY.
6. **Performance of Work.** CONSULTANT represents that it is qualified by virtue of experience, training, education, and expertise to accomplish these services. Services shall be performed by CONSULTANT in accordance with professional practices in a manner consistent with a level of care, competence and skill exercised by qualified members of the CONSULTANT'S profession. By delivery of completed work, CONSULTANT certifies that the work conforms to the requirements of this Agreement and all applicable federal, state and local laws. CONSULTANT shall perform all work and services under this

Agreement in conformance with the time schedule set forth on Exhibit C, "Schedule of Performance," attached hereto and incorporated herein by this reference. CITY's City Manager is authorized on behalf of CITY to modify the timeframes set forth on the Schedule of Performance within the term of this Agreement. If CONSULTANT desires to leave or store any of CONSULTANT's equipment at a CITY site while CONSULTANT is performing work or service pursuant to this Agreement, CONSULTANT will first obtain the consent of CITY's City Manager, or his delegate, to do so, and any such storage shall occur only in the manner and location allowed by such CITY official and entirely at CONSULTANT's sole risk.

7. Insurance Requirements.

7.1. Commencement of Work. CONSULTANT shall not commence work under this Agreement until it has obtained CITY approved insurance. For general liability insurance policies, CONSULTANT shall provide CITY, prior to commencement of work, with a separate endorsement which states that the policy contains the following language:

- The CITY, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers are named as additional insureds; and,
- the insurer waives the right of subrogation against CITY and CITY'S elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers; and,
- insurance shall be primary non-contributing.

CONSULTANT shall furnish CITY with copies of all policies or certificates subject to this Agreement, whether new or modified, promptly upon receipt. No policy subject to this Agreement shall be canceled or materially changed except after thirty (30) days' notice by the insurer to CITY.

7.2. Workers' Compensation Insurance. CONSULTANT and all subcontractors shall maintain Workers' Compensation Insurance, as required by law.

7.3. Insurance Types and Amounts. CONSULTANT shall maintain comprehensive general liability insurance; professional errors and omissions liability insurance (required for professional and technical service consultants only); and automobile insurance each with policy limits of at least \$1,000,000 per occurrence for general liability, \$1,000,000 per accident for automobile liability and \$1,000,000 per claim for professional errors or omissions (for professional and technical service consultants only).

7.4. Acceptability of Insurers. All insurance required by this Agreement shall be carried only by responsible insurance companies licensed and admitted, or otherwise legally authorized to carry out insurance business, in California with a current A.M. Best's rating of no less than A:VII.

8. Non-Liability of Officials and Employees of the CITY. No official or employee of CITY shall be personally liable for any default or liability under this Agreement.

9. Compliance with Law. CONSULTANT and its officers, employees, agents, and subcontractors shall comply with all applicable laws, ordinances, administrative regulations, and permitting requirements in carrying out their obligations under this Agreement. CONSULTANT and its officers, employees, agents, and subcontractors covenant there shall be no discrimination based upon race, color, creed, religion, gender,

marital status, age, sexual orientation, national origin, mental disability, physical disability, medical condition, or ancestry, in any activity pursuant to this Agreement.

10. **Independent Contractor.** CONSULTANT is an independent contractor and not an agent or employee of CITY.

11. **Confidentiality.** All data, documents, or other information received by CONSULTANT from CITY or prepared in connection with CONSULTANT'S services under this Agreement are deemed confidential and shall not be disclosed to any third party by CONSULTANT without prior written consent by CITY.

12. **Conflict of Interest and Reporting.** CONSULTANT shall at all times avoid conflict of interest or appearance of conflict of interest in performance of this Agreement.

13. **Notices.** All notices shall be personally delivered or mailed, via first class mail to the below listed address. These addresses shall be used for delivery of service of process. Notices shall be effective five (5) days after date of mailing, or upon date of personal delivery.

Address of CONSULTANT is as follows:

HA&A
111 N Wabash Ave., Suite 1717
Chicago, IL 60602
Attention: Hans Detlefsen

Address of CITY is as follows:

Office of Economic Development	with a copy to:
City of Morgan Hill	City Clerk
17575 Peak Avenue	City of Morgan Hill
Morgan Hill, CA 95037	17575 Peak Avenue
	Morgan Hill, CA 95037

14. **Licenses, Permits and Fees.** CONSULTANT shall obtain a City of Morgan Hill Business License, all permits and licenses to the extent required by ordinances, codes and regulations of the federal, state and local government.

15. **Maintenance of Records.**

15.1. **Maintenance.** CONSULTANT shall prepare, maintain, and preserve all reports and records that may be required by federal, state, and CITY rules and ordinances related to services provided under this Agreement. CONSULTANT shall maintain records for a period of at least 3 years after receipt of final payment under this Agreement. If any litigation, claim, negotiation, audit exception, or other action relating to this Agreement is pending at the end of the 3 year period, then CONSULTANT shall retain said records until such action is resolved.

15.2. **Access to and Audit of Records.** The CITY shall have the right to examine, monitor and audit all records, documents, conditions, and activities of the CONSULTANT and its subcontractors related to services under this Agreement. Pursuant to Government Code

Section 8546.7, if this Agreement involves the expenditure of public funds in excess of \$10,000, the Parties to this Agreement may be subject, at the request of the CITY or as part of any audit of the CITY, to the examination and audit of the State Auditor pertaining to matters connected with the performance of this Agreement for a period of three years after final payment under the Agreement.

15.3. **Ownership of Work Product.** All documents or other information developed or received by CONSULTANT for work performed under this Agreement shall be the property of CITY. CONSULTANT shall provide CITY with copies of these items upon demand or upon termination of this Agreement.

16. **Familiarity with Work.** By executing this Agreement, CONSULTANT represents that: (1) it has investigated the work to be performed; (2) it has investigated the site of the work and is aware of all conditions there; and (3) it understands the difficulties and restrictions of the work under this Agreement. Should CONSULTANT discover any conditions materially differing from those inherent in the work or as represented by CITY, it shall immediately inform CITY and shall not proceed, except at CONSULTANT'S risk, until written instructions are received from CITY.

17. **Time of Essence.** Time is of the essence in the performance of this Agreement.

18. **No Assignment.** Neither this Agreement nor any portion shall be assigned by CONSULTANT, without prior written consent of CITY.

19. **Attorney Fees.** In any legal action, dispute or arbitration arising out of or relating to this Agreement, the prevailing party shall be entitled to an award of its reasonable attorney fees, costs and expenses incurred.

20. **Defense and Indemnification.**

20.1. **Defense and Indemnification.** CONSULTANT shall, to the fullest extent permitted by law, indemnify, defend and hold harmless CITY, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers ("INDEMNITEES") from and against any and all claims, liabilities, expenses, liens, or damages of any nature, including liability for bodily injury, property damage or personal injury, and including reasonable attorneys' fees and expenses, that arise out of, pertain to, or relate to the performance of this Agreement or the failure to comply with any obligations contained in this Agreement by CONSULTANT, and/or its agents, officers, employees, subcontractors, or independent contractors ("CLAIM").

20.2. **Exceptions.** CONSULTANT is not required to indemnify INDEMNITEES against liability for bodily injury, property damage or personal injury, or any other loss, damage or expense arising from the sole negligence or willful misconduct of the CITY.

20.3. **Not limited by insurance.** The indemnity, defense and hold harmless provisions of this Agreement apply to all CLAIMs alleged against an INDEMNITEE, regardless of whether any insurance policies are applicable. Policy limits do not act as a limitation upon the amount of indemnification or defense to be provided by CONSULTANT.

20.4. **Right to Offset.** CITY shall have the right to offset against any compensation due CONSULTANT under this Agreement any amount due CITY from CONSULTANT as a result of CONSULTANT's failure to pay CITY promptly any indemnification arising under this Section (20) and any amount due CITY from CONSULTANT arising from CONSULTANT's failure either to (i) pay

taxes on amounts received pursuant to this Agreement or (ii) comply with applicable workers' compensation laws.

20.5. Interpretation. This Section shall constitute an agreement or contract of indemnity, incorporating the interpretations under California Civil Code Section 2778. It is expressly understood and agreed that the obligation of the CONSULTANT to indemnify the INDEMNITEE shall be as broad and inclusive as permitted by the laws of the State of California and shall survive termination of this Agreement.

21. Entire Agreement; Modification; Conflicting Provisions. This Agreement constitutes the entire Agreement between the Parties and supersedes any previous agreements, oral or written. This Agreement may be modified or provisions waived only by a subsequent mutual written agreement executed by CITY and CONSULTANT. If the provisions contained in the main body of this Agreement conflict with any provision contained in an exhibit to this Agreement, the provisions of the main body of this Agreement shall govern and control over any provision contained in an exhibit to this Agreement.

22. Governing Law and Venue. This Agreement shall be construed in accordance with the laws of the State of California. This Agreement was entered into and is to be performed in the County of Santa Clara. Any action or dispute arising out of this Agreement shall only be brought in Santa Clara County.

23. Interpretation. This Agreement is a negotiated document and shall be deemed to have been drafted jointly by the Parties, and no rule of construction or interpretation shall apply against any particular Party based on a contention that the Agreement was drafted by one of the Parties including, but not limited to, California Civil Code § 1654, the provisions of which are hereby waived. This Agreement shall be construed and interpreted in a neutral manner.

24. Preservation of Agreement. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the rest of the Agreement shall remain in full force and effect and shall in no way be affected or invalidated.

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25. **Authority to Execute.** Those individuals who are signing this Agreement on behalf of entities represent and warrant that they are, respectively, duly authorized to sign on behalf of the entities and to bind the entities fully to each and all of the obligations set forth in this Agreement.

IN WITNESS THEREOF, these Parties have executed this Agreement on the day and year shown below.

AS SET FORTH IN CA. CORP. CODE § 313, TWO SIGNATURES ARE REQUIRED FOR CALIFORNIA CORPORATIONS:
(1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; AND
(2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR ASSISTANT TREASURER.

ATTEST:	CITY OF MORGAN HILL
<div>City Clerk/Deputy City Clerk</div> <div>Michelle Wilson</div> <div>Print Name</div> <div>Date: </div>	<div>City Manager</div> <div>Steve Rymer</div> <div>Print Name</div> <div>Date: </div>
APPROVED AS TO FORM:	HA&A LLC, a California Limited Liability Company
<div>City Attorney</div> <div>Renee Gurza</div> <div>Print Name</div> <div>Date: </div>	<div>By:</div> <div>Title: </div> <div>Print Name and Title of Signer. If Corporate: Chairman, President or Vice President</div> <div>Date: </div>
	<div>By:</div> <div>Title: </div> <div>Print Name and Title of Signer. If Corporate: Secretary, Assistant Secretary, Chief Financial Officer or Assistant Treasurer</div> <div>Date: </div>

EXHIBIT A SCOPE OF SERVICES

The scope of work for the Hotel Market Study and TOT Analysis is broken down into three phases as follows:

PHASE I – Market Supply & Demand (maximum compensation to CONSULTANT for Phase I: \$10,000)

1. Address market demand for our community—with clear understanding of our community dynamics, market, vision, challenges and opportunities.
2. Address the impact of more hotel rooms to the TOT, analyzing a long-term historical period of supply and demand in Morgan Hill to evaluate whether supply growth historically has been correlated with demand growth. Analyze a long-term STR trend to see whether this is also true in Morgan Hill historically (STR is the leading global provider of competitive benchmarking, information services and research to the hotel industry). Demonstrate this correlation graphically. Order a national STR trend report as a control group to isolate what portion of demand growth is due to national economic growth versus local supply growth.
3. Analyze supply and demand trends for the high-performing competitive set in Morgan Hill. Order a custom trend report from STR to evaluate how just the top 4-8 hotels are performing to see how new developers are looking at this market and whether they see development potential here.
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Phase II – TOT Analysis (Maximum compensation to CONSULTANT for Phase II: \$15,000)

7. Rank Morgan Hill’s TOT rate vs. 10 comparable or competitive cities
8. Analyze TOT collections process, including the timing of liabilities and applicable tax rates
9. Create an historical inventory of lodging supply by month and year over a 10-year historical period
10. Estimate total occupancy, average daily rate, and rooms’ revenue for each month and year over the historical period
11. Retrospectively apply Morgan Hill TOT rates and collection procedures to these modeled revenue estimates
12. Compare historical collections with model estimates for TOT liabilities

13. Discuss any significant discrepancies
14. Provide description on how to use similar data in future years as a cross-check on collections

Phase III – Boutique Hotel and Full Service Hotel Market Study (Maximum compensation to CONSULTANT for Phase III: \$16,000)

15. Perform fieldwork to evaluate potential development sites and interview key stakeholders
16. Perform a Market Area Overview to evaluate key local economic trends and economic indicators
17. Perform a Supply & Demand Analysis for a specifically proposed hotel type and include projections of both supply and demand
18. Make Facility Recommendations
19. Perform projection of Occupancy and Average Daily Rate (ADR), including a penetration and ranking analysis for possible subject properties.
20. Perform 10-Year Financial Projections and include detailed projections of revenue and expense line items.
21. Attend council meeting to present key findings.

**EXHIBIT B
SCHEDULE OF COMPENSATION RATES**

I. City shall compensate CONSULTANT for work fully and timely performed pursuant to and in accordance with this Agreement as follows:

- A. For completion of Phase I work described in Exhibit A: a total of \$10,000; and**
- B. For completion of Phase II work described in Exhibit A: a total of \$15,000; and**
- C. For completion of Phase III work described in Exhibit A: a total of \$16,000.**

II. City shall reimburse CONSULTANT for actual costs incurred by CONSULTANT for travel and data gathering expenses in the performance of CONSULTANT's work under this Agreement for which expenses CONSULTANT shall provide a separate invoice to City itemizing said expenses and which expenses shall not exceed \$4,000 in the aggregate.

**EXHIBIT C
SCHEDULE OF PERFORMANCE**

CONSULTANT shall perform its work under this Agreement in accordance with the following Schedule of Performance:

Phase I; shall be submitted to the City on or before 10 business days from receipt of executed contract.

Phase II & III: To be completed within 30 days of of executed contract.

City and CONSULTANT may mutually agree to amend dates for submittal of CONSULTANT's work within the the term of this Agreement.

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